

Regular Session, 2009

HOUSE BILL NO. 818

BY REPRESENTATIVE ELLINGTON

TAX/SALES-USE, STATE: Phases-in an exclusion from state sales and use taxes for certain tangible property related to the manufacturing process

## 1 AN ACT

2 To enact R.S. 47:301(3)(k), relative to the sales and use tax; to phase-in an exclusion from  
3 state sales and use taxes for certain tangible property related to the manufacturing  
4 process; to provide for certain limitations; to provide for certain definitions; and to  
5 provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:301(3)(k) is hereby amended and reenacted to read as follows:

8 §301. Definitions

9 As used in this Chapter the following words, terms, and phrases have the  
10 meaning ascribed to them in this Section, unless the context clearly indicates a  
11 different meaning:

12 \* \* \*

13 (3)(a)

14 \* \* \*

15 (k)(i) For purposes of the imposition of the sales and use tax levied by the  
16 state or any political subdivision whose boundaries are coterminous with those of the  
17 state, the cost price of tangible property consumed in the manufacturing process,  
18 such as fuses, belts, felts, wires, conveyor belts, lubricants, and motor oils; the cost  
19 price of spare and replacement parts for manufacturing machinery and equipment,  
20 such as valves, pumps, motors, and other manufacturing machinery and equipment

components; and the cost price of repairs and maintenance of manufacturing machinery and equipment shall be reduced as follows:

(aa) For the period beginning July 1, 2009, and ending on June 30, 2010, the state sales and use tax on the cost price shall be reduced by twenty-five percent.

(bb) For the period beginning July 1, 2010, and ending June 30, 2011, the state sales and use tax on the cost price shall be reduced by fifty percent.

(cc) For the period beginning July 1, 2011, and ending June 30, 2012, the state sales and use tax on the cost price shall be reduced by seventy-five percent.

(dd) For all periods beginning on and after July 1, 2012, the state sales and use tax on the cost price shall be reduced by one hundred percent.

(ii) For purposes of this Subparagraph, "manufacturer" means a person whose principal activity is manufacturing and who is assigned an industry group designation by the United States Census of 3211 through 3222 pursuant to the North American Industry Classification System of 2007.

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#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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Ellington

HB No. 818

**Abstract:** Phases-in an exclusion on the state sales and use tax on tangible property consumed in the manufacturing process beginning on July 1, 2009, and ending on July 1, 2012.

Present law provides that the "cost price" means the actual cost of the articles of tangible personal property without any deductions therefrom on account of the cost of materials used, labor, or service cost, except those service costs for installing the articles of tangible personal property if such cost is separately billed to the customer at the time of installation, transportation charges, or any other expenses whatsoever, or the reasonable market value of the tangible personal property at the time it becomes susceptible to the use tax, whichever is less.

Proposed law provides that for purposes of the state sales and use tax, the cost price of tangible property consumed in the manufacturing process, such as fuses, belts, felts, wires, conveyor belts, lubricants and motor oils; the cost price of spare and replacement parts for manufacturing machinery and equipment, such as valves, pumps, motors, and other manufacturing machinery and equipment components; and the cost price of repairs and maintenance of manufacturing machinery and equipment shall be reduced as follows:

- (1) For the period beginning July 1, 2009, and ending on June 30, 2010, the state sales and use tax on the cost price shall be reduced by 25%.
- (2) For the period beginning July 1, 2010, and ending June 30, 2011, the state sales and use tax on the cost price shall be reduced by 50%.
- (3) For the period beginning July 1, 2011, and ending June 30, 2012, the sales and use tax on the cost price shall be reduced by 75%.
- (4) For all periods beginning on and after July 1, 2012, the state sales and use tax on the cost price shall be reduced by 100% percent.

Proposed law provides that for purposes of proposed law, a manufacturer shall mean a person whose principal activity is manufacturing and who is assigned an industry group designation of 3211 through 3222 pursuant to the North American Industry Classification System (NAICS) of 2007.

(Adds R.S. 47:301(3)(k))